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September 23, 2004

**MEMORANDUM**

TO: Theresa S. Shaw  
Chief Operating Officer  
Federal Student Aid

FROM: J. Wayne Bynum *J. Wayne Bynum*  
Regional Inspector General for Audit  
Office of Inspector General

SUBJECT: **FINAL AUDIT REPORT**  
*Review of Student Enrollment and Professional Judgment Actions at  
Tennessee Technology Center at Morristown, TN*  
Control No. ED-OIG/A04-E0001

You have been designated as the action official for the resolution of the findings and recommendations in the attached final report. We also provided a copy to the auditee and to your audit liaison officer.

The Office of Inspector General is required to review and approve your proposed Program Determination Letter (PDL) and the Audit Clearance Document (ACD) before the PDL is forwarded to the auditee. Our review of these documents will be handled through the Department's Audit Accountability and Resolution Tracking System (AARTS).

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after six months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please contact me at 404-562-6477 or Assistant Regional Inspector General Mary Allen at 404-562-6465.

Enclosure



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September 23, 2004

Lynn Elkins  
Director  
Tennessee Technology Center at Morristown  
821 W. Louise Avenue  
Morristown, TN 37813-2094

Dear Ms. Elkins:

This **Final Audit Report**, Control Number A04-E0001, presents the results of our *Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN* (TTC-M). Audit coverage included the period July 1, 2001, through June 30, 2003 (award years 2001-2002 and 2002-2003). Our objectives were to determine (1) whether TTC-M enrolled as regular students in its programs of study persons who did not have a high school certificate or equivalent and/or were under the age of compulsory school attendance and (2) whether TTC-M's use of professional judgment and dependency override to make adjustments to estimated family contribution calculations resulted in appropriate Federal Pell Grant Program (Pell) awards to students.

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## AUDIT RESULTS

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### **FINDING No. 1 -- TTC-M Enrolled Persons in Its Programs of Study Who Did Not Have a High School Certificate or Equivalent and/or Were Under the Age of Compulsory School Attendance**

We found that TTC-M enrolled high school students in its programs of study that lead to postsecondary certificates. This occurred because it is the Tennessee Board of Regents' policy to allow secondary (high school) students to attend the Tennessee Technology Centers and earn both secondary and postsecondary education hours. As a result, TTC-M is not eligible to participate in the Title IV programs and improperly disbursed over \$2.4 million in Title IV funds to postsecondary students during award years 2001-2002 and 2002-2003.

Postsecondary institutions participating in the Title IV Student Financial Assistance programs are only to admit as regular students individuals who have a certificate of graduation from a high school, its equivalent, or are beyond the age of compulsory school attendance. Under Sections 101(a)(1) and 102(c)(1)(B) of the Higher Education Act of 1965, as amended, in order to participate in the Title IV programs a “postsecondary vocational institution” must, among other requirements, admit “as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate . . . .” Section 102(c)(2) further provides that the “term ‘postsecondary vocational institution’ also includes an educational institution in any State that, in lieu of the requirement of paragraph (1) of Section 101(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.”

The regulations at 34 C.F.R. §600.2 (2002), in effect throughout the audit period, defines a regular student as “A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.”

The Tennessee Department of Education Student Membership and Attendance Accountability Procedures Manual, Section 49-6-3001(c)(1) (October 1999) states that “Every parent . . . having control or charge of any child or children between six (6) years of age and seventeen (17) years of age, both inclusive, shall cause such child or children to attend public or non-public school . . . .”

According to the Tennessee Board of Regents Admission Policy (2:03:00:00)(2000), all Tennessee Technology Centers are allowed to admit secondary students into their postsecondary programs. This policy states that applicants enrolled in high school are eligible for admission provided that (1) an agreement authorizing such admission is concluded between the Tennessee Technology Centers and the local school boards and (2) enrollment is limited to one occupational area. Such agreements are subject to the approval of the Chancellor or his/her designee. We verified this policy with the Vice Chancellor for the Tennessee Technology Centers. TTC-M executed a number of agreements with local school boards to allow area high school students to attend TTC-M.

We reviewed the written agreement between TTC-M and the local school boards. The agreement allowed high school students to attend TTC-M because the desired technical programs offered by TTC-M were not available to the students at the schools they were attending. The agreement also provided that high school students enrolling at TTC-M would be interviewed and counseled for appropriate program placement.

We found that TTC-M enrolled 170 high school students under the age of 18 during award years 2001-2002 and 2002-2003 (115 during 2001-2002 and 55 during 2002-2003). The high school students were enrolled in the same programs and received the same instruction from the same instructors as the postsecondary students. High school students also received the same course credit as the postsecondary students. High school students who completed the required TTC-M curriculum received the same certificate as postsecondary students.

The TTC-M Director stated the following:

- High school students are enrolled in regular programs at TTC-M, provided there is a training contract in place with the corresponding school board.
- High school students attend the same classrooms and labs as regular, adult students and receive the same instruction.
- High school students are awarded certificates or diplomas if they achieve the competencies required.
- One enrollment form is used for all students and there is a section on the form to indicate secondary school enrollment, which is marked “secondary” while high school students are dually enrolled in high school and TTC-M.
- Of the 117 high school students who enrolled during the audit period, about ten percent continued their postsecondary education at TTC-M and only about one percent of those students obtained a certificate.

## **RECOMMENDATIONS**

We recommend that the Chief Operating Officer for Federal Student Aid:

- 1.1 Take immediate action under 34 C.F.R §600.41 to terminate TTC-M’s participation in the Title IV programs as a result of it not being an eligible institution.
- 1.2 Review TTC-M’s enrollment practices prior to award year 2001-2002 to identify those periods in which it was not in compliance with the Title IV institutional eligibility provisions discussed in this report.
- 1.3 Require TTC-M to return the amount of Title IV aid distributed to its students during award years 2001-2002 and 2002-2003 (\$2,458,347), as well as the amount of such aid distributed during those periods in which it was not in compliance with the Title IV institutional eligibility provisions.

## **TTC-M RESPONSE**

TTC-M did not concur with Finding No. 1. In its written response to the draft report (see attachment), TTC-M stated, in part, that –

- Secondary students are not considered to be regular students.
- TTC-M follows the policies and guidelines set forth by the Tennessee Board of Regents.
- Secondary students must be a junior or senior in high school.
- Student’s are interviewed and counseled for appropriate program placement.
- The high school provides TTC-M instructors with a grading scale and grade report sheets for recording credit/grades of secondary students.
- A separate Secondary Student Enrollment Form has been developed that more easily identifies secondary students.
- The primary objective of students enrolling at TTC-M is to obtain high school credit that will count toward their graduation.
- A secondary student may return to TTC-M as a regular, postsecondary student upon high school completion. At that time, the student will receive articulated credit for the previous

training he/she received as a secondary student, and he/she will receive a postsecondary diploma upon completion of the program.

A copy of TTC-M's written response to the draft report is included in this report. Due to the large volume of pages, we did not include the attachments to TTC-M's written response. The attachments are available upon request.

## **OIG COMMENTS**

Although TTC-M's response indicates that the secondary students are admitted under separate procedures, the response confirms that the students are regular students for Title IV purposes. The secondary students are enrolled in the same programs and receive the same instruction from the same instructors; receive the same course credit as the postsecondary students; and receive the same certificate as postsecondary students upon completion of a program of study. The agreement in place with the secondary school system indicates that proficiency certificates and diplomas will be awarded by TTC-M upon completion of the course requirements.

### **FINDING No. 2 -- TTC-M Did Not Maintain Adequate Supporting Documentation for Professional Judgment and Dependency Override Actions, and Not All Professional Judgment Actions Were Reported**

TTC-M did not maintain adequate documentation to support all professional judgment and dependency override decisions. Some students also received professional judgment actions, but their documentation was not coded as having received such an action. This occurred due to a lack of adequate policies and procedures for documenting professional judgment and dependency override decisions. We statistically estimated that documentation was inadequate to support about 216 of the 506 students that received professional judgment and dependency override actions during award years 2001-2002 and 2002-2003. We also statistically estimated that about 34 students received professional judgment actions, but were not coded as having received such actions.

The Higher Education Act of 1965, as amended, Section 479(a) (1998) states:

Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances . . . . Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students.

The Higher Education Act of 1965, as amended, Section 480(d) (1998), defines an independent student as someone who fits into one or more of six specific categories. In addition, Section 480(d)(7) of the Act states that a student who does not qualify as an independent student under one of the six specific categories may be considered to be an independent student if he or she is “a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.”

According to Dear Colleague Letter, GEN-03-07, issued in May 2003, a student for whom a financial aid administrator makes a documented determination of independent by reason of other unusual circumstances is a “dependency override.” The letter also states, “Third party written documentation supporting a student’s unusual circumstances is generally required. However, we understand that there may be some instances where the only documentation available to the financial aid administrator is a statement by the student. In these limited cases, the student’s statement must include the facts related to the student’s unusual circumstances, and the institution must include any other pertinent facts in writing.”

### Reported Professional Judgment Actions

TTC-M reported that it used professional judgment and dependency override actions to amend the estimated family contribution for 212<sup>1</sup> of its 710 Pell recipients (30 percent) during award year 2001-2002 and 294<sup>2</sup> of its 783 Pell recipients (38 percent) during award year 2002-2003.

We randomly selected the financial aid files for 115 students who were coded as having received professional judgment or dependency override actions during award years 2001-2002 and 2002-2003. We reviewed these files to determine if there was adequate documentation of the claimed special circumstances and of a case-by-case determination that the special circumstances justified deviating from the expected family contribution. We found that the documentation in the files was not adequate to support the professional judgment actions for 48 students. We also found that the documentation in the file for one dependency override decision was inadequate. The documentation in these files generally contained a brief note regarding a change in the student’s financial condition. There was insufficient information in the files to substantiate the reported conditions. For example, one note in the file stated, “I am not employed at the moment and I’m receiving help from an uncle.” Tables 2.1 and 2.2 below provide additional information on the results our student file reviews.

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<sup>1</sup> Includes 10 students coded as dependency override, two of which were also coded as professional judgment.

<sup>2</sup> Includes 13 students coded as dependency override, three of which were also coded as professional judgment.

**Table 2.1 – Professional Judgment and Dependency Override File Review for 2001-2002**

Reasons for Professional Judgment (PJ) Decision	Students	Adequate Support Maintained in File	
		<i>YES</i>	<i>NO</i>
Student laid off of job	24	21	3
Student had a reduction in earned income	7	0	7
Student's spouse or parent laid off	3	2	1
Student, spouse, or parent not employed	4	1	3
Student or parent claimed financial hardship	3	0	3
Parent unable to work due to medical illness	1	0	1
Student requested a revaluation of Pell eligibility	1	0	1
Parent on disability	1	1	0
Students incorrectly coded as PJ	1	0	1
<b>Reasons for Dependency Override (DO) Decision</b>			
DO Only	1	1	0
No documentation in file for PJ or DO decision	3	1	2
Student laid off job and coded PJ and DO	1 <sup>3</sup>	1	0
<b>TOTAL</b>	<b>50</b>	<b>28</b>	<b>22</b>

**Table 2.2 – Professional Judgment and Dependency Override File Review for 2002-2003**

Reasons for Professional Judgment (PJ) Decision	Students	Adequate Support Maintained in File	
		<i>YES</i>	<i>NO</i>
Student laid off of job	29	26	3
Student had a reduction in earned income	5	2	3
Student's spouse or parent laid off	4	1 <sup>3</sup>	3
Student, spouse, or parent not employed	9	3	6
Student or Parent claimed financial hardship	4	0	4
Student claimed financial hardship and was also coded DO	1 <sup>4</sup>	1	0
Parent unable to work due to medical illness	1	0	1
Student quit job	2	0	2
Student recently divorced	1	1	0
Students incorrectly coded as PJ	3	0	3
No documentation in file for PJ decision	1	0	1
<b>Reasons for Dependency Override (DO) Decision</b>			
DO Only	4	3	1
Student recently divorced and coded PJ and DO	1 <sup>5</sup>	1	0
<b>TOTAL</b>	<b>65</b>	<b>38</b>	<b>27</b>

<sup>3</sup> Student was coded both professional judgment and dependency override. The documentation was inadequate for professional judgment and adequate for dependency override.

<sup>4</sup> Student was coded both professional judgment and dependency override. The documentation was adequate for both decisions.

<sup>5</sup> Student was coded both professional judgment and dependency override. The documentation was inadequate for professional judgment and adequate for dependency override.

In summary, TTC-M did not maintain adequate supporting documentation for 49 of the 115 student files reviewed (43 percent). These 49 students received \$80,100 in Pell Grant funds. We found that 37 of the students were disbursed excessive Pell Grant funds as a result of the unsupported professional judgment and dependency override actions. These 37 students received \$48,712 in excessive Pell Grant disbursements.

Using statistical sampling techniques, we examined the professional judgment and dependency override actions for award years 2001-2001 and 2002-2003, which totaled 506 actions and Pell Grant awards totaling \$973,618. Our sample of 115 professional judgment and dependency override actions that included Pell Grant awards totaling \$215,005 were chosen randomly to test compliance with documentation regulations. All student files selected for the sample were reviewed. Based on the sample results, we estimated that about 216 professional judgment and dependency override actions were not sufficiently documented for award years 2001-2002 and 2002-2003.<sup>6</sup> We also statistically projected that these 216 professional judgment and dependency override actions resulted in excessive Pell Grant awards to students totaling about \$215,000.<sup>7</sup>

### Unreported Professional Judgment Actions

To determine if professional judgment and dependency override decisions were applied, but not reported and identified as such, we reviewed files for students who received Pell Grant funds and were not coded as having received professional judgment and dependency override actions. We reviewed student files for 115 of the 987 Pell recipients who were not coded as having received professional judgment actions during award years 2001-2002 and 2002-2003. Our review found that four student files contained evidence that professional judgment was applied. As such, these four students should have been identified and reported appropriately. There was sufficient documentation in the files to support the professional judgment actions.

Using statistical sampling techniques, we examined Pell Grants for award years 2001-2002 and 2002-2003, from a universe of 987 Pell recipients who were not coded as receiving professional judgment actions. Our sample of 115 student files was chosen randomly to test compliance with regulations. All student files selected for the sample were reviewed. Based on the sample results, we estimated that about 34 students received professional judgment and dependency override actions, but were not coded as such for award years 2001-2002 and 2002-2003.<sup>8</sup>

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<sup>6</sup> We found that 49 of the 115 tested student files did not contain sufficient supporting documentation. Based on our statistical sample, we are 90 percent confident that the number of student files that did not contain sufficient supporting documentation totaled about 216 +/- 7.3 percent precision.

<sup>7</sup> We found that 37 of the 115 students received excessive Pell Grant funds totaling \$48,712. Based on our statistical sample, we are 90 percent confident that the excessive Pell Grant awards provided to the estimated 216 students that did not have adequate supporting documentation totaled about \$215,753 +/- 24.14 percent precision (or +/- \$52,083). Note: It is OIG policy not to recommend recovery of statistically estimated dollars unless the precision is +/- 20 percent or smaller.

<sup>8</sup> We found that 4 of the 115 tested student files received professional judgment actions. Based on our statistical sample, we are 90 percent confident that the number of students that received professional judgment actions and not coded as such totaled about 34 +/- 4.0 percent precision.



## TTC-M Policies and Procedures

TTC-M's professional judgment policy consisted of a one-paragraph statement that discussed the purpose of professional judgment, the school's standard professional judgment request form, and the committee responsible for approving those requests.

It was TTC-M's practice to initiate a professional judgment action after a student submitted a standard form or letter, which was then reviewed by the financial aid committee for approval. Once approved, the financial aid administrator reduced the income of the student and/or parent by the amount of the unusual expenses. TTC-M did not maintain a record of the committee meetings or its reasons for granting professional judgment actions. The Assistant Director and the Student Services Coordinator, both of whom are committee members, stated that the only way to recognize that professional judgment was approved for a student was the presence of a check mark on the form. We found no evidence that the committee members initialed the forms following approval. We also did not find any written justification or reason by TTC-M for granting professional judgment on the forms or in the student files. However, where we found adequate documentation of the special circumstance and indication that a case-by-case determination had been made, we did not question the aid disbursed.

The TTC-M Director stated that the documentation that was obtained from students who requested professional judgment was, to the best of the financial aid committee's knowledge, adequate based on their interpretation of the rules. The Director said the financial aid department exercised its authority to perform professional judgment decisions on a case-by-case basis. The Director said the financial aid committee reviewed each professional judgment request and made decisions based on the written statements and no log of the meetings was maintained. The Director said TTC-M was under the impression that a signed statement from the student was sufficient enough for requests.

The Director stated that TTC-M has written a new, more detailed policy on professional judgment, and that the new policy will be published in the student handbook and made available to all students. The Vice Chancellor for Tennessee Technology Centers stated that the policy developed by TTC-M would be reviewed for implementation at all of the technology centers.

## **RECOMMENDATIONS**

We recommend that the Chief Operating Officer for Federal Student Aid:

- 2.1 Ensure that TTC-M's revised professional judgment and dependency override policies and procedures include controls that require the financial aid office to maintain adequate support for each student that substantiates the student's special circumstance and provides for documentation of the reasons for the professional judgment and/or dependency override decision.
- 2.2 Require TTC-M to develop policies and procedures to ensure that all professional judgment actions are reported to the Central Processing System.

- 2.3 Require TTC-M to refund the \$48,712 in Pell Grants disbursed as a result of inadequate documented professional judgment and dependency override actions. (This recommended recovery amount is also included in the amounts for Recommendation 1.3.)
- 2.3 Require TTC-M to perform a 100 percent review of the professional judgment actions not included in our audit for award years 2001-2002 and 2002-2003 through the current period and refund any additional Pell Grants disbursed as a result of inadequate support for professional judgment and dependency override actions granted. The Chief Operating Officer should require verification of this calculation by the appropriate Case Management Team.

## **TTC-M RESPONSE**

TTC-M did not concur with Finding No. 2. In its written response to the draft report, TTC-M stated, in part, that –

- The Higher Education Act of 1965, as amended, Section 479(a) (1998) is broad and does not specify “acceptable documentation” to support professional judgment decisions.
- TTC-M reviewed the Federal Student Aid Handbook for documentation acceptable for verification purposes and determined that a signed statement can be used in lieu of Internal Revenue Service (IRS) documentation. TTC-M determined that the same documentation should be acceptable for professional judgment.
- Students who requested professional judgment were either asked to fill out a standard professional judgment form or provide a written, signed statement outlining the special circumstances.
- Many of the students who requested professional judgment were involved in plant closures where jobs were eliminated. TTC-M participates in the Tennessee Department of Labor and Workforce Development’s Rapid Response Team and helps students complete necessary applications for school admission and financial assistance. As a result of working closely with these students, representatives of TTC-M did not require any documentation other than a signed statement.
- When students requested professional judgment, they were reminded about step seven, paragraph two on the Free Application for Federal Student Aid (FAFSA) whereby the student agrees to provide information that will verify the accuracy of the completed FAFSA.
- If the Department of Education allows up to \$4,050 to be distributed based on a student’s signed statement on the FAFSA, it appears that students with unusual or special circumstances are being discriminated against by making them provide additional documentation.
- Although the staff of TTC-M was operating within their authority, TTC-M and the Tennessee Board of Regents have developed and implemented a specific professional judgment guideline, which is included in the Tennessee Technology Centers’ Financial Aid Handbook. Each Technology Center Director has been updated with the new guideline and they are implementing the guideline at each technology center.
- The new professional judgment form will obtain all pertinent information necessary to prove the facts stated. Students who do not provide the necessary documentation will not be considered complete and will not be reviewed by the professional judgment committee.

- The professional judgment committee will be made up of three to four staff members who do not have any prior knowledge of these students' circumstances; therefore, no predetermined opinions should exist, and each case will be reviewed without bias. An unbiased committee will help insure that professional judgment decisions are based solely on the documentation provided by the student. The committee will meet on an as-needed basis and will maintain minutes of each meeting. These minutes will be logged and signed by each committee member; and the professional judgment form will be stamped to indicate approval status and initialed by the committee members. The Tennessee Technology Centers will include this written policy on professional judgment in their school's student handbook and make it available to anyone who requests it.

## OIG COMMENTS

TTC-M's comments did not lead us to change our finding. TTC-M's statement that the Federal Student Aid Handbook permits a signed statement to be used in lieu of IRS documentation omitted the limited circumstances in which such a statement can be used. The handbook and the verification regulations provide that a signed statement can be used only in prescribed, limited circumstances where verifiable documentation filed with or from the IRS is unavailable. Section 479A of the HEA prescribes that adequate documentation must "substantiate" the special circumstances of individual students. In our review, we looked for documentation to "substantiate" the circumstances of the student that would allow a financial aid advisor, on a case-by-case basis, to conclude that it was reasonable to "deviate from the contributions expected in the absence of special circumstances."

For the students involved in plant closures discussed in TTC-M's comments, we questioned the documentation for only 6 of the 54 students involved in job lay offs. In addition to a statement from the students, we found that the files contained other documentation substantiating the circumstances of the students. These files typically included documentation of participation in other programs designed to assist workers involved in plant closures.

For the 49 files in total where we found the documentation of professional judgment or dependency overrides to be inadequate, the documentation was generally limited to brief notes from the students. The notes did not provide sufficient detail to substantiate his or her circumstances. A typical example stated only that "I am unemployed at the moment and I'm receiving assistance from an uncle." The file did not otherwise contain information on the dates of unemployment, the reason for the unemployment, any unemployment compensation, or the prospects for additional employment.

The new documentation policy and procedures implemented by the Tennessee Technology Centers should provide for adequate documentation of professional judgment and dependency override actions.

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## BACKGROUND

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TTC-M, established in 1966, is located in Morristown, TN, and is one of 27 technology centers strategically located throughout Tennessee. TTC-M is a public, less than two-year institution that has an approximate enrollment of 1,700 full-time and part-time students. TTC-M is designed to serve both youth and adults in specified geographic areas and is governed by the Tennessee Board of Regents.

The Tennessee Technology Centers enrolled 3,162 high school students during award years 2000-2001, 2001-2002, and 2002-2003. Not all technology centers enrolled high school students during these three award years. Table 1.2 below illustrates the number of high school students enrolled and the number of technology centers that enrolled high school students.

**Table 1.2 - High School Students Enrolled in Technology Centers**

<b>Award Year</b>	<b>Number of High School Students Enrolled</b>	<b>Number of Technology Centers that Enrolled High School Students</b>
2000-2001	1,050	20
2001-2002	1,093	21
2002-2003	1,019	22
<b>TOTAL</b>	<b>3,162</b>	

TTC-M is accredited by the Council of Occupational Education and offers certificates in programs such as practical nursing, automotive technology, computer electronics, welding, and others. TTC-M has a Program Participation Agreement with the U.S. Department of Education for eligible students to receive Title IV aid. As illustrated in the table below, TTC-M received over \$2.4 million in Title IV funds during award years 2001-2002 and 2002-2003.

<b>Award Year</b>	<b>PELL</b>	<b>FSEOG*</b>	<b>FWS**</b>
2001-2002	\$1,072,438	\$30,000	\$35,000
2002-2003	1,237,409	37,703	45,797
Total by Program	2,309,847	67,703	80,797
<b>Grand Total</b>	<b>\$2,458,347</b>		

\*Federal Supplemental Educational Opportunity Grant.

\*\* Federal Work Study Program.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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Our audit objectives were to determine (1) whether TTC-M enrolled as regular students in its programs of study persons who did not have a high school certificate or equivalent and/or were under the age of compulsory school attendance and (2) whether TTC-M's use of professional

judgment and dependency override to make adjustments to estimated family contribution calculations resulted in appropriate Pell Grant awards to students. The scope of our audit included award years 2001-2002 and 2002-2003.

To evaluate institutional eligibility regarding the enrollment of high school students, we-

- Reviewed the Higher Education Act of 1965, as amended, and applicable Title IV regulations.
- Reviewed State law regarding the age of compulsory school attendance.
- Reviewed the academic files for selected high school students.
- Reviewed TTC-M's policies and procedures regarding the enrollment of high school students.
- Reviewed sample contracts between TTC-M and local school boards for the enrollment of high school students.
- Interviewed TTC-M officials and the Vice Chancellor for Tennessee Technology Centers.

We randomly selected for review 69 of the 170 high school students' files that TTC-M identified as being enrolled at TTC-M during the audit period. We obtained and reviewed the documentation contained in the academic files for the students in our sample.

To evaluate TTC-M's use of professional judgment and dependency override adjustments, we:

- Reviewed financial aid files, student ledger cards, and other supporting documentation relating to professional judgment and dependency override.
- Reviewed Title IV of the Higher Education Act of 1965, as amended (particularly Sections 479A and 480(d)); the Department's Student Financial Assistance Handbook for the award years audited; and the Dear Colleague Letter of May 2003 (GEN-03-07).
- Reviewed the State of Tennessee's OMB Circular A-133 audit report for the year ended 2002 and the Tennessee Comptroller of the Treasury's Financial and Compliance audit for Tennessee Technology Center at Morristown for the years ended 2000 and 2001.
- Reviewed disbursement and other student related data from the Department's National Student Loan Data System and the Central Processing System.
- Reviewed TTC-M's drawdown and disbursement data using the Department's Grants Payment Administration System.
- Interviewed TTC-M officials involved in professional judgment and dependency override actions.
- Interviewed staff at the Five Rivers Career Center, Tennessee Department of Labor.
- Contacted staff from the Department's Office of Federal Student Aid, Case Management and Oversight offices in Atlanta, GA, and Kansas City, MO.

To evaluate the adequacy of documentation maintained to support professional judgment and dependency override actions, we reviewed a random sample of students who received Pell Grant awards and whose Student Aid Report (SAR)/Institutional Student Information Record (ISIR) reported comment code 027 (estimated family contribution adjustment) or comment code 164 (dependency override). These codes indicated that professional judgment or dependency override had been applied. We identified a universe of 710 and 783 students who received Pell

Grant funds during award years 2001-2002 and 2002-2003, respectively. TTC-M reported professional judgment and dependency override decisions for 212 of the 710 Pell recipients in award year 2001-2002 and 294 of the 783 Pell recipients in award year 2002-2003. Total Pell Grant awards distributed to the students who received professional judgment and dependency override actions was \$375,951 for award year 2001-2002 and \$597,667 for award year 2002-2003. To evaluate TTC-M's use of professional judgment and dependency override actions, we selected a random sample of 50 student files from award year 2001-2002 and 65 student files from award year 2002-2003 for review. Total Pell Grant award distributed to the sampled students was \$95,855 for award year 2001-2002 and \$119,150 for award year 2002-2003.

To evaluate the risk that professional judgment or dependency override was used, but not reported, we selected a random sample of students who received Pell Grant awards during the audit period and whose SAR/ISIR did not report the use of professional judgment or dependency override (i.e., no comment code 027 or 164). We identified a universe of 498 students in award year 2001-2002 and 489 students in award year 2002-2003 who were not coded as receiving professional judgment or dependency override. We selected a random sample of 50 students from award year 2001-2002 and 65 students from award year 2002-2003 for review.

During the audit, we relied in part on computer-processed data contained in TTC-M's financial aid processing and disbursement systems. We tested the accuracy and completeness of the data by comparing TTC-M's records to source documents and the data in the Department's systems. Based on these tests and assessments, we concluded that the data was sufficiently reliable for use in meeting the audit objectives.

Audit work was conducted during the period November 2003 through February 2004. An exit conference was held with TTC-M officials and the Vice Chancellor for Tennessee Technology Centers on March 10, 2004. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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## STATEMENT ON MANAGEMENT CONTROLS

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We did not assess TTC-M's management control structure applicable to its institutional eligibility for participation in Title IV programs because it was not necessary to achieve our objective related to institutional eligibility.

As part of our audit, we gained an understanding of the controls over professional judgment and dependency override determinations. We did not assess the adequacy of the management control structure applicable to TTC-M's use of professional judgment and dependency override to determine the nature, extent, and timing of our testing. Instead, we relied on substantive testing of financial aid and accounting records. Our review of student files disclosed significant noncompliance with the requirements for professional judgment and dependency override in the Higher Education Act that led us to believe that material weaknesses existed in TTC-M's controls over professional judgment and dependency override. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

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## ADMINISTRATIVE MATTERS

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If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Theresa S. Shaw  
Chief Operating Officer, Federal Student Aid  
U.S. Department of Education  
Union Center Plaza  
830 First Street, NE, Room 112G1  
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

*J. Wayne Bynum*

J. Wayne Bynum  
Regional Inspector General  
Region IV

## Attachment – Written Response to the Draft Report



OFFICE OF DIRECTOR

June 9, 2004

Mr. J. Wayne Bynum  
Regional Inspector General  
US Department of Education  
Office of Inspector General  
61 Forsyth Street, Room 18T71  
Atlanta, Georgia 30303

Dear Mr. Bynum:

Enclosed is the Tennessee Technology Center at Morristown's response to the Draft Audit Report received from the Office of Inspector General of the Department of Education.

If you have any questions or need additional information, please contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lynn Elkins".

Lynn Elkins  
Director

I.E/md

Enclosure

c: James King, Vice Chancellor, Tennessee Technology Centers, Tennessee Board  
of Regents  
Christine Modisher, General Counsel, Tennessee Board of Regents

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## Attachment – Written Response to the Draft Report

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TTC-MORRISTOWN COMMENTS  
DRAFT AUDIT REPORT  
OFFICE OF INSPECTOR GENERAL  
CONTROL NUMBER ED/OIG A04-E001

Finding No. 1 -- TTC-M Enrolled Persons in Its Programs of Study Who Did Not Have a High School Certificate or Equivalent and/or Were Under the Age of Compulsory School Attendance.

We do not concur with Finding No. 1. According to the Federal Guidelines' definition of an "Eligible Institution" and the Tennessee Board of Regents Admissions Policy.

Postsecondary institutions participating in the Title IV Student Financial Assistance programs are only to admit as regular students individuals who have a certificate of graduation from a high school, its equivalent, or are beyond the age of compulsory school attendance. Under Sections 101(a)(1) and 102(c)(1)(B) of the Higher Education Act of 1965, as amended, in order to participate in the Title IV programs a "postsecondary vocational institution" must, among other requirements, admit "as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate..." Section 102(c)(2) further provides that the "term 'postsecondary vocational institution' also includes an educational institution in any State that, in lieu of the requirement of paragraph (1) of Section 101(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located."

As indicated in our letter dated March 15, 2004, TTC-Morristown specified how secondary students are not considered regular students. A copy of the letter and attachments are included with this report to substantiate TTC-M's stance on secondary student enrollments (Attachment 1A).

The Tennessee Technology Center at Morristown is governed by the Tennessee Board of Regents and follows the policies and guidelines set forth by the governing agency. The TBR Admissions Policy (No. 2:03:00:00) (Attachment A) states in section (III) (B) that "applicants enrolled in high school are eligible for admission provided that:

1. An agreement authorizing such admission is concluded between the local Board of Education and the Tennessee Technology Center. Such agreements are subject to the approval of the Chancellor or his designee.
2. Enrollment is limited to one (1) occupational area."

According to the draft report, written agreements between TTC-Morristown and local school boards for the years audited (2001-2002 and 2002-2003) and student records for 170 high school students (115 during 2001-2002 and 55 during 2002-2003) were reviewed, indicating that students without a high school diploma or equivalent and were under the age of compulsory

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school attendance were dually enrolled at TTC-M and the contracted high schools. The attached contract (Attachment B) indicates under **QUALIFICATIONS**:

- Must be a Junior or a Senior in high school;
- Must have a minimum of a 2.0 grade point average on a 4.0 scale or the equivalent;
- Applicants must have a stated employment objective;
- Must have a satisfactory attendance record; and
- Applicants shall be required to take the Technology Foundations Assessment given by the Technology Center.

In addition, under **APPLICATION PROCEDURES**, number three states, "Qualified applicants will be interviewed for anticipated openings by the Technology Center's personnel during June." Number four states, "The participants selected will be by mutual agreement between the Technology Center and the high school Principal and his/her designee. The selection is to be completed by August 1 of each calendar year." Number eight states, "Each student will be interviewed and counseled for appropriate program placement."

Under the section **EVALUATION**, number two states, "The high school is to provide the Technology Center instructors with a grading scale and grade report sheets for recording credit/grades."

The first stipulation of the high school contract states, "The desired technical programs are not, nor can be made available locally." The contract itself indicates that secondary students will not enter into programs on the same basis as regular students.

The attached copy of an enrollment report from the TBR office (Attachment C) will show secondary hours in a separate column. The attached annual report (Attachment F) to the accrediting agency, Council on Occupational Education, indicates that secondary students are tracked separately than regular students (Column 5). These students are not in any way accounted for in the same manner as regular students.

The draft report indicates that secondary students complete the same enrollment form as regular, adult students. Although we see no legal reason for creating a separate form, we have provided a Secondary Student Enrollment Form (Attachment G) that more easily identifies the secondary students, a copy of which is attached for your review. The previous form did provide for a distinction between secondary and postsecondary students. It was utilized for simplification and economy.

The regulations at 34 C.F.R. §600.2 (2002) defines a regular student as "A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution."

The primary objective of students enrolling at TTC-M is to obtain high school credit that will count toward their graduation. A copy of the report (Attachment H) required by the high school for reporting hours and grades received is included for your review.

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A student who was a secondary student may return to TTC-M as a regular, postsecondary student upon high school completion. At that time, the student will receive articulated credit for the previous training he/she received as a secondary student, and he/she will receive a postsecondary diploma upon completion of the program. It is important to note that no secondary student received a diploma from TTC-M during the audit period.

TTC-M, operating in accordance to TBR admission policies, is in compliance with the Title IV institutional eligibility requirements. If audits at all post secondary institutions who participate in TITLE IV funding are not conducted, then TTC-M and The Tennessee Board of Regents would be singled-out and penalized for providing training opportunities for the citizens of Tennessee by assuring access to equal educational opportunities.

TTC-M has effective measures in place to differentiate students based on their high school achievement. In no way, shape, form or fashion has a non high school completer ever been paid any Title IV financial assistance.



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Finding No. 2 -- TTC-M Did Not Maintain Adequate Supporting Documentation for Professional Judgment and Dependency Override Actions, and Not All Professional Judgment Actions Were Reported.

We do not concur with Finding No. 2 or any of the Recommendations because TTC-M exercised its authority to make professional judgments and dependency override decisions as stated in Section 479(a) (1998) of The Higher Education Act of 1965:

Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances... Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstance of individual students.

Because the above rule is so broad and does not specify "acceptable documentation" to support professional judgment decisions, TTC-M reviewed acceptable documentation for verification from Chapter 3, Verification, of the Federal Student Aid Handbook and determined that the same documentation should be acceptable. A signed statement can be used in lieu of the student's IRS tax transcript, other signed IRS forms with tax data, Form W-2, or Form 4868.

All students at TTC-M who requested professional judgment were either asked to fill out a standard professional judgment form or provide a written, signed statement outlining their special circumstances. Many of the students who requested professional judgment were involved in plant closures where jobs were eliminated. TTC-M participates in The Tennessee Department of Labor and Workforce Development's Rapid Response Team and helps students complete necessary applications for school admission and financial assistance. As a result of working so closely with these students, representatives of TTC-M did not require any documentation other than a signed statement.

Additionally, when students requested professional judgment, they were reminded about Step Seven, Paragraph two, on the FAFSA that states, "If you are the parent or the student, by signing this application you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include your U.S. or state income tax forms. Also, you certify that you understand that the Secretary of Education has the authority to verify information reported on this application with the Internal Revenue Service and other federal agencies. If you purposely give false or misleading information, you may be fined \$20,000, sent to prison, or both." The Department of Education accepts FAFSAs that are mailed in or completed online, processes them, and authorizes payments be made to the applicant. If a student is not chosen for verification, their financial assistance is disbursed based on his/her signed statement on the FAFSA.

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If the Department of Education allows up to \$4,050 to be distributed based on a student's signed statement, included on the FAFSA, it appears that students with unusual or special circumstances are being discriminated against by making them provide additional documentation. TTC-M and the Tennessee Board of Regents go to great lengths to comply with all policies to insure non-discrimination.

As result of the recent audit, TTC-M has a better understanding of what the Department considers adequate documentation. Although the staff of TTC-M were operating within their authority, TTC-M and the Tennessee Board of Regents have developed and implemented a specific professional judgment guideline, which is included in the Tennessee Technology Centers' Financial Aid Handbook. This handbook is updated annually and distributed throughout the TTC system, which includes 26 Tennessee Technology Centers throughout the state. Each TTC Director has been updated with the new guideline and is implementing at each center.

The new section that was added to the Tennessee Technology Centers Financial Aid Handbook is as follows:

### **PROFESSIONAL JUDGEMENT**

Tennessee Technology Centers will use the Professional Judgment form developed during the initial audit from The Office of Inspector General, U.S. Department of Education, and will obtain all pertinent information necessary to prove the facts stated. Students who do not provide the necessary documentation will not be considered complete and will not be reviewed by the professional judgment committee. The professional judgment committee will be made up of three to four staff members who do not have any prior knowledge of these students' circumstances; therefore, no-predetermined opinions should exist, and each case will be reviewed without bias. A Center may allow the financial aid administrator to serve on the committee as a non-voting member. An unbiased committee will help insure that professional judgment decisions are based solely on the documentation provided by the student. The committee will meet on an as-needed basis and will maintain minutes of each meeting. These minutes will be logged and signed by each committee member; and the professional judgment request form will be stamped to indicate approval status and initialed by the committee members.

TTC's shall include this written policy on professional judgment in their schools' student handbook and make it available to anyone who requests it.

## ***Professional Judgment***

Since the formula used to determine eligibility for the Federal Pell Grant is basically the same for all applicants, students who have experienced extenuating circumstances beyond their control may request “Special Conditions” or “Professional Judgment”.

There must be rare and unusual reasons for the financial aid administrator to request a financial aid committee meeting on students behalf. In addition, the student must provide adequate documentation to support any adjustments before the committee will meet.

Possibly extenuating circumstances could include the following:

- divorce or separation of student, spouse or parent;
- death of a spouse or parent;
- loss of untaxed income of student, spouse or parent;
- disability of student, spouse or a parent;
- unusual medical expenses of student, spouse or parent;
- tuition expenses of student, spouse or parent;
- or loss of a job by either the student, spouse or the parent;

The Financial Aid Committee’s decision regarding special circumstances is *final* and cannot be appealed.

A Financial Aid “Request for Special Conditions” form can be obtained in the Financial Aid Office.



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### **Tennessee Technology Center at Morristown** **Required Documentation for Re-evaluation of Financial Aid Eligibility**

The following documentation is required for the student and parent(s) if dependent – or required for the student/spouse if independent.

Step One: Provide a detailed written explanation of your extenuating circumstances on the back of this form in the space provided.

Step Two: Indicate why you are requesting your financial aid be re-evaluated:

\_\_\_\_ **Loss of employment or change in employment status**

- Letters from prior employers stating termination dates, year-to-date earnings on letterhead, signed and dated.
- Letters from current employers stating expected earnings for the current year.
- Unemployment recap showing amount of benefits received and the expected benefits to be received in the current year OR a notarized statement indicating no benefits were received or expected to be received by year end.
- Estimation of any anticipated earnings and/or untaxed income through year end.

\_\_\_\_ **Divorce or separation of student or parent**

- Divorce: Copy of divorce decree
- Separation: Copy of the legal separation document; a signed statement from your attorney showing the date of separation; or a notarized statement from an unrelated third party.

\_\_\_\_ **Death of a spouse or parent**

- A death certificate, an obituary notice, or a notarized statement from an unrelated third party.

\_\_\_\_ **Loss of untaxed income**

- A copy of a letter from the agency that provided the benefits detailing the termination of benefits and copies of summaries of benefits.

\_\_\_\_ **Disability**

- Medical documentation of disability and benefits received as a result of the disability.

\_\_\_\_ **Unusual medical or dental bills or expenses**

- A copy of schedule A of the federal 1040 form or canceled checks or receipts showing the amount paid. Also, a statement from the insurance company showing that the expenses were not reimbursed.
- Proof of no insurance.

\_\_\_\_ **Other unusual circumstances not covered above**

- Explanation and documentation.

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Below, please complete your detailed written explanation of your extenuating circumstances

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New expected income from work	Student	\$ _____
	Spouse	\$ _____
	Mother/Step Mom	\$ _____
	Father/Step Dad	\$ _____
Unemployment benefits expected	Student	\$ _____
	Spouse	\$ _____
	Mother/Step Mom	\$ _____
	Father/Step Dad	\$ _____
Retirement benefits expected	Student	\$ _____
	Spouse	\$ _____
	Mother/Step Mom	\$ _____
	Father/Step Dad	\$ _____
Any untaxed income expected by anyone in your immediate family, including Social Security benefits, disability and child support.		\$ _____

\_\_\_\_\_  
Signature Student

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Spouse or Parent

\_\_\_\_\_  
Date

SCHOOL USE ONLY



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After the Department of Education issued an updated clarification for dependency overrides with GEN-03-07 (Attachment E), TTC-M does not perform dependency overrides unless the student can provide the documentation listed as acceptable. A copy of this publication is enclosed.

TTC-M should not be required to return any Title IV funds based on this finding. Based on local interpretation of professional judgment authority, TTC-M is in full compliance. Financial aid records are maintained with exceptional accuracy, and that department is diligent to comply with all Federal, State, and local regulations. No Title IV funds were distributed with less than honorable intentions or with malicious intent.